

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Alamo	County Kalamazoo
Fiscal Year End March 31, 2007	Opinion Date October 4, 2007	Date Audit Report Submitted to State November 7, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

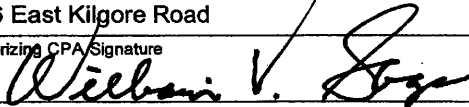
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 REPORT	
Certified Public Accountant (Firm Name) Siegfried Crandall P.C.		Telephone Number (269) 381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002		License Number 1101008186	
Authorizing CPA Signature 		Printed Name William V. Sage	

Township of Alamo
Kalamazoo County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Alamo, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Township of Alamo, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Alamo, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Township of Alamo, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on pages 15 through 17 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Alamo, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

October 4, 2007



1958-2008

BASIC FINANCIAL STATEMENTS

Township of Alamo
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 539,757
Receivables, net	50,197
Prepaid expenses	<u>31,470</u>
Total current assets	<u>621,424</u>
Noncurrent assets:	
Capital assets not being depreciated	66,883
Capital assets, net of accumulated depreciation	<u>554,903</u>
Total noncurrent assets	<u>621,786</u>
Total assets	<u>1,243,210</u>
LIABILITIES	
Payables	<u>15,854</u>
NET ASSETS	
Invested in capital assets	621,786
Restricted for public safety	55,058
Unrestricted	<u>550,512</u>
Total net assets	<u>\$ 1,227,356</u>

See notes to financial statements

Township of Alamo
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

		<u>Program Revenues</u>		<u>Net (expenses)</u> <u>revenues and</u> <u>changes in</u> <u>net assets</u>
		<u>Charges for</u>	<u>Capital</u> <u>grants and</u> <u>contributions</u>	<u>Governmental</u> <u>activities</u>
Functions/Programs	<u>Expenses</u>	<u>services</u>		
Governmental activities:				
Legislative	\$ 3,836	\$ -	\$ -	\$ (3,836)
General government	165,461	45,826	6,792	(112,843)
Public safety	208,075	34,602	-	(173,473)
Public works	35,045	3,313	-	(31,732)
Community and economic development	23,906	4,250	-	(19,656)
Culture and recreation	16,627	-	-	(16,627)
Total governmental activities	<u>\$ 452,950</u>	<u>\$ 87,991</u>	<u>\$ 6,792</u>	<u>(358,167)</u>
General revenues:				
Taxes				96,111
State grants				265,965
Interest and rentals				27,245
Other				<u>5,589</u>
Total general revenues				<u>394,910</u>
Change in net assets				36,743
Net assets - beginning				<u>1,190,613</u>
Net assets - ending				<u>\$ 1,227,356</u>

See notes to financial statements

Township of Alamo
BALANCE SHEET - governmental funds
 March 31, 2007

	<u>General</u>	<u>Fire Truck</u>	<u>Total governmental funds</u>
ASSETS			
Cash	\$ 484,699	\$ 55,058	\$ 539,757
Receivables	50,197	-	50,197
Prepays	31,470	-	31,470
Total assets	<u>\$ 566,366</u>	<u>\$ 55,058</u>	<u>\$ 621,424</u>
LIABILITIES AND FUND BALANCES			
Liabilities - payables	\$ 15,854	\$ -	\$ 15,854
Fund balances	<u>550,512</u>	<u>55,058</u>	<u>605,570</u>
Total liabilities and fund balances	<u>\$ 566,366</u>	<u>\$ 55,058</u>	<u>\$ 621,424</u>
Total fund balances - total governmental funds			\$ 605,570
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			<u>621,786</u>
Net assets of <i>governmental activities</i>			<u>\$ 1,227,356</u>

See notes to financial statements

Township of Alamo**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds***Year ended March 31, 2007*

	<u>General</u>	<u>Fire Truck Fund</u>	<u>Total governmental funds</u>
REVENUES			
Taxes	\$ 129,067	\$ -	\$ 129,067
Licenses and permits	32,663	-	32,663
State grants	265,965	-	265,965
Charges for services	22,059	-	22,059
Interest and rentals	24,714	2,531	27,245
Other	5,902	-	5,902
	<u>480,370</u>	<u>2,531</u>	<u>482,901</u>
Total revenues			
	<u>480,370</u>	<u>2,531</u>	<u>482,901</u>
EXPENDITURES			
Legislative	3,836	-	3,836
General government	156,995	-	156,995
Public safety	151,128	-	151,128
Public works	57,353	-	57,353
Community and economic development	23,906	-	23,906
Culture and recreation	24,458	-	24,458
Capital outlay	13,895	-	13,895
	<u>431,571</u>	<u>-</u>	<u>431,571</u>
Total expenditures			
	<u>431,571</u>	<u>-</u>	<u>431,571</u>
EXCESS OF REVENUES OVER EXPENDITURES	48,799	2,531	51,330
FUND BALANCES - BEGINNING	<u>501,713</u>	<u>52,527</u>	<u>554,240</u>
FUND BALANCES - ENDING	<u>\$ 550,512</u>	<u>\$ 55,058</u>	<u>\$ 605,570</u>

See notes to financial statements

Township of Alamo

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2007

	<u><i>Total governmental funds</i></u>
Net change in fund balances - total governmental funds	\$ 51,330
 Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation \$(61,040) exceeded capital acquisitions \$(46,453) in the current period.	
	<u>(14,857)</u>
Change in net assets of <i>governmental activities</i>	<u><u>\$ 36,473</u></u>

See notes to financial statements

Township of Alamo
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
March 31, 2007

ASSETS

Cash	<u>\$ 990</u>
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LIABILITIES

Due to other governmental units	<u>\$ 990</u>
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See notes to financial statements

Township of Alamo
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Alamo, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Alamo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Truck Fund accounts for the financial resources used for the capital acquisition costs of the Township's fire protection functions. Revenues are primarily derived from property taxes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	10 - 15 years
Roads	20 years

Township of Alamo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year. The Township had the following significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Other	\$ 40,173	\$ 44,112	\$ (3,939)
	Community and economic development	Planning and zoning	19,239	23,906	(4,667)
	Culture and recreation	Museum	4,599	7,216	(2,617)

NOTE 3 - CASH AND INVESTMENTS:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$588,804 of the Township's bank balances of \$688,804 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Alamo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ <u>539,757</u>	\$ <u>990</u>	\$ <u>540,747</u>

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major funds, are as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ <u>7,531</u>	\$ <u>42,666</u>	\$ <u>50,197</u>

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated - land	\$ <u>66,883</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>66,883</u>
Capital assets being depreciated:				
Buildings	229,967	4,890	-	234,857
Equipment and vehicles	923,207	13,762	-	936,969
Infrastructure	102,905	27,801	-	130,706
Subtotal	<u>1,256,079</u>	<u>46,453</u>	<u>-</u>	<u>1,302,532</u>
Less accumulated depreciation for:				
Buildings	134,703	7,047	-	141,750
Equipment and vehicles	545,860	48,500	-	594,360
Infrastructure	6,026	5,493	-	11,519
Subtotal	<u>686,589</u>	<u>61,040</u>	<u>-</u>	<u>747,629</u>
Total capital assets being depreciated, net	<u>569,490</u>	<u>(14,587)</u>	<u>-</u>	<u>554,903</u>
Governmental activities capital assets, net	\$ <u>636,373</u>	\$ <u>(14,587)</u>	\$ <u>-</u>	\$ <u>621,786</u>

Township of Alamo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

General government	\$ 5,533
Public safety	48,955
Public works	5,493
Culture and recreation	<u>1,059</u>
Total governmental activities	<u>\$ 61,040</u>

NOTE 6 - PAYABLES:

	<u>Accounts</u>	<u>Payroll</u>	<u>Other</u>	<u>Total</u>
General Fund	<u>\$ 5,539</u>	<u>\$ 5,650</u>	<u>\$ 4,665</u>	<u>\$ 15,854</u>

NOTE 7 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2007, is as follows:

Revenues	\$ 29,663
Expenses	<u>(39,490)</u>
Deficiency of revenues over expenses	<u>\$ (9,827)</u>

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Alamo
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 115,625	\$ 115,625	\$ 129,067	\$ 13,442
Licenses and permits	25,972	25,972	32,663	6,691
State grants	270,000	270,000	265,965	(4,035)
Charges for services	20,140	20,140	22,059	1,919
Interest and rentals	6,400	6,400	24,714	18,314
Contributions	763	763		(763)
Other	3,150	3,150	5,902	2,752
Total revenues	<u>442,050</u>	<u>442,050</u>	<u>480,370</u>	<u>38,320</u>
EXPENDITURES				
Legislative	<u>4,940</u>	<u>4,940</u>	<u>3,836</u>	<u>1,104</u>
General government:				
Supervisor	19,588	19,588	17,947	1,641
Clerk	20,525	20,525	19,480	1,045
Treasurer	25,805	25,805	24,977	828
Assessor	19,325	19,325	18,697	628
Board of review	600	600	600	-
Election	4,750	4,750	5,201	(451)
Hall and grounds	14,570	14,570	11,058	3,512
Cemetery	16,992	16,992	14,923	2,069
Other	40,173	40,173	44,112	(3,939)
Total general government	<u>162,328</u>	<u>162,328</u>	<u>156,995</u>	<u>5,333</u>
Public safety:				
Fire protection	115,899	115,899	111,638	4,261
Building inspection	46,342	46,342	39,490	6,852
Total public safety	<u>162,241</u>	<u>162,241</u>	<u>151,128</u>	<u>11,113</u>
Public works:				
Highways and streets	42,543	42,543	42,491	52
Street lights	4,350	4,350	4,991	(641)
Recycling and clean-up	9,500	9,500	9,871	(371)
Total public works	<u>56,393</u>	<u>56,393</u>	<u>57,353</u>	<u>(960)</u>

Township of Alamo

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	\$ 19,239	\$ 19,239	\$ 23,906	\$ (4,667)
Culture and recreation:				
Parks and recreation	8,610	25,010	17,242	7,768
Museum	4,599	4,599	7,216	(2,617)
Total culture and recreation	13,209	29,609	24,458	5,151
Capital outlay	23,700	23,700	13,895	9,805
Total expenditures	442,050	458,450	431,571	26,879
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(16,400)	48,799	65,199
FUND BALANCE - BEGINNING	501,713	501,713	501,713	-
FUND BALANCE - ENDING	\$ 501,713	\$ 485,313	\$ 550,512	\$ 65,199

Township of Alamo
BUDGETARY COMPARISON SCHEDULE - Fire Truck Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ -	\$ -	\$ 2,531	\$ 2,531
FUND BALANCE - BEGINNING	<u>52,527</u>	<u>52,527</u>	<u>52,527</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 52,527</u>	<u>\$ 52,527</u>	<u>\$ 55,058</u>	<u>\$ 2,531</u>

**Members of the Township Board
Township of Alamo, Michigan**

In planning and performing our audit of the financial statements of the Township of Alamo as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Alamo's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.



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- The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, record changes in capital assets, and to present required financial statement disclosures. As in prior years, the Township has relied upon our firm as auditor to identify and develop material adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the Township's financial statements. However, when an organization lacks the ability to internally produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. We recommend that management and those charged with governance evaluate and document their informed decision on the costs and benefits of contracting financial statement preparation services with its auditor.

This communication is intended solely for the information and use of management, the Board of Trustees of the Township of Alamo, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.

October 4, 2007